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Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

January 2017: budgetary surplus of $1.2 billion

There was a budgetary surplus of $1.2 billion in January 2017, compared to a surplus of $1.1 billion in January 2016. Revenues increased by $1.9 billion, or 7.1 per cent, reflecting increases in most revenue streams, particularly corporate income tax and Goods and Services Tax (GST) revenues. Program expenses increased by $1.8 billion, or 7.7 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges decreased by $0.1 billion, or 5.9 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds.

April 2016 to January 2017: budgetary deficit of $12.8 billion

For the April 2016 to January 2017 period of the 2016–17 fiscal year, the Government posted a budgetary deficit of $12.8 billion, compared to a surplus of $4.3 billion reported for the same period of 2015–16. Revenues were largely unchanged, up $6 million, as an increase in tax revenues was offset by a decrease in Employment Insurance (EI) premium revenues and other revenues. Program expenses were up $18.5 billion, or 8.7 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $1.5 billion, or 6.9 per cent, largely reflecting lower average effective interest rates on the stock of interest-bearing debt.

January 2017

There was a budgetary surplus of $1.2 billion in January 2017, compared to a surplus of $1.1 billion in January 2016.

Revenues in January 2017 totalled $28.7 billion, up $1.9 billion, or 7.1 per cent, from January 2016.

- Personal income tax revenues were up $0.2 billion, or 1.4 per cent.
- Corporate income tax revenues were up $0.7 billion, or 24.1 per cent.
- Non-resident income tax revenues were up $0.2 billion, or 17.9 per cent.
- Excise taxes and duties were up $1.0 billion, or 25.3 per cent. GST revenues increased by $1.0 billion, or 36.4 per cent, due to the timing of assessments. Energy taxes increased by $26 million, customs import duties increased by $13 million, and other excise taxes and duties decreased by $13 million.
- EI premium revenues were down $0.3 billion, or 11.3 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up $0.1 billion, or 3.1 per cent.

Program expenses in January 2017 were $25.6 billion, up $1.8 billion, or 7.7 per cent, from January 2016.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.9 billion, or 12.0 per cent. Elderly benefits increased by $0.2 billion, or 5.5 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.2 billion, or 10.3 per cent. Children's benefits increased by $0.5 billion, or 31.5 per cent, reflecting the new Canada Child Benefit, which replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.3 billion, or 4.9 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, offset in part by an increase in the Quebec Abatement.

- Direct program expenses include transfer payments to individuals and organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up $0.7 billion, or 6.2 per cent. Within direct program expenses:
  - Transfer payments were largely unchanged, up $0.1 billion, or 1.6 per cent, largely reflecting offsetting increases and decreases across several departments.
  - Other direct program expenses increased by $0.6 billion, or 9.7 per cent, largely reflecting increases in Crown corporation expenses and pension and other future benefit expenses based on the Government's latest actuarial valuations.

Public debt charges decreased by $0.1 billion, or 5.9 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds.

April 2016 to January 2017

For the April 2016 to January 2017 period of the 2016–17 fiscal year, there was a budgetary deficit of $12.8 billion, compared to a surplus of $4.3 billion reported during the same period of 2015–16.

Revenues increased by $6 million.

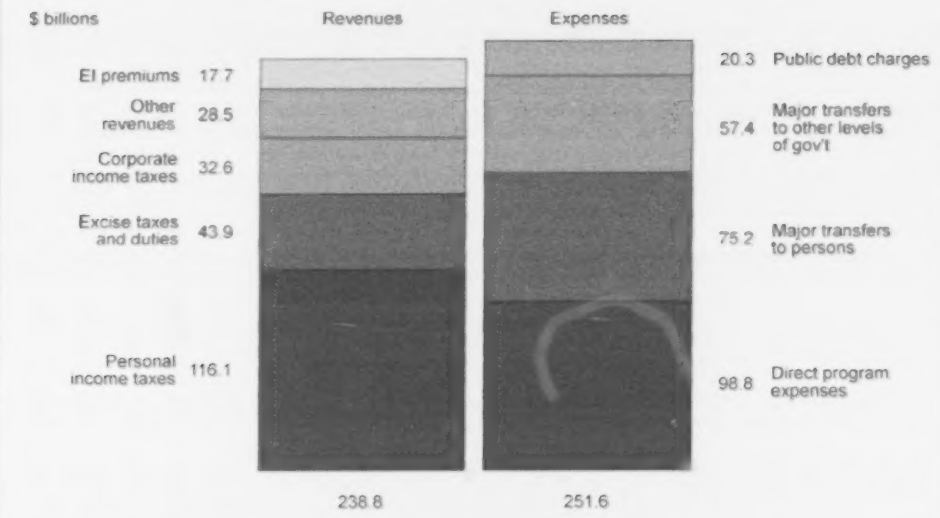
- Personal income tax revenues were down $0.8 billion, or 0.7 per cent.
- Corporate income tax revenues were up $1.3 billion, or 4.2 per cent.
- Non-resident income tax revenues were up $0.4 billion, or 6.9 per cent.
- Excise taxes and duties were up $1.0 billion, or 2.3 per cent, largely reflecting a $1.1-billion increase in GST revenues due to the timing of assessments. Customs import duties were up $0.1 billion, while energy taxes and other excise taxes and duties were each down $0.1 billion.
- EI premium revenues were down $0.1 billion, or 0.5 per cent.
- Other revenues were down $1.8 billion, or 7.5 per cent. This decline largely reflects the $2.1-billion gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015.

For the April 2016 to January 2017 period, program expenses were $231.3 billion, up $18.5 billion, or 8.7 per cent, from the same period the previous year.

- Major transfers to persons were up $6.6 billion, or 9.6 per cent. Elderly benefits increased by $2.2 billion, or 5.9 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $1.1 billion, or 7.1 per cent. Children's benefits were up $3.2 billion, or 21.6 per cent, largely reflecting the new Canada Child Benefit.
- Major transfers to other levels of government were up $2.4 billion, or 4.4 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $9.5 billion, or 10.7 per cent. Within direct program expenses:
  - Transfer payments increased by $5.4 billion, or 21.1 per cent, reflecting a number of factors including the accelerated repayment of contributions by Pratt & Whitney Canada in 2015–16, which decreased transfer payments in that year, as well as increased transfers in the current year related to claims and infrastructure funding.
  - Other direct program expenses increased by $4.1 billion, or 6.5 per cent, largely reflecting increases in Crown corporation expenses, operating expenses of National Defence, and pension and other future benefit expenses based on the Government's latest actuarial valuations.

Public debt charges were down $1.5 billion, or 6.9 per cent, largely reflecting lower average effective interest rates on the stock of interest-bearing debt.

Revenues and expenses (April 2016 to January 2017)



Note: Totals may not add due to rounding.

Financial requirement of $19.4 billion for April 2016 to January 2017

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $12.8 billion and a financial requirement of $6.7 billion from non-budgetary transactions, there was a financial requirement of $19.4 billion for the April 2016 to January 2017 period, compared to a financial requirement of $17.3 billion for the same period the previous year.

Net financing activities up $27.2 billion

The Government financed its financial requirement of $19.4 billion and increased cash balances by $7.7 billion by increasing unmatured debt by $27.2 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of January 2017 stood at $45.6 billion, down $4.6 billion from their level at the end of January 2016.

Table 1
Summary statement of transactions
$ millions

	January		April to January	
	2016	2017	2015–16	2016–17
Budgetary transactions				
Revenues	26,775	28,664	238,839	238,845
Expenses				
Program expenses	-23,732	-25,564	-212,766	-231,289
Public debt charges	-1,973	-1,857	-21,805	-20,307
Budgetary balance (deficit/surplus)	1,070	1,243	4,268	-12,751
Non-budgetary transactions	-629	5,371	-21,539	-6,658
Financial source/requirement	441	6,614	-17,271	-19,409
Net change in financing activities	10,752	282	39,466	27,153
Net change in cash balances	11,193	6,896	22,195	7,744
Cash balance at end of period			50,146	45,590

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	January			April to January		
	2016 ($ millions)	2017 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	13,545	13,741	1.4	116,843	116,074	-0.7
Corporate income tax	2,907	3,608	24.1	31,330	32,634	4.2
Non-resident income tax	1,080	1,273	17.9	5,519	5,900	6.9
Total income tax	17,532	18,622	6.2	153,692	154,608	0.6
Excise taxes and duties						
Goods and Services Tax	2,778	3,789	36.4	28,654	29,756	3.8
Energy taxes	455	481	5.7	4,756	4,697	-1.2
Customs import duties	440	453	3.0	4,447	4,518	1.6
Other excise taxes and duties	428	415	-3.0	5,073	4,962	-2.2
Total excise taxes and duties	4,101	5,138	25.3	42,930	43,933	2.3
Total tax revenues	21,633	23,760	9.8	196,622	198,541	1.0
Employment Insurance premiums	2,750	2,439	-11.3	17,772	17,683	-0.5
Other revenues	2,392	2,465	3.1	24,445	22,621	-7.5
Total revenues	26,775	28,664	7.1	238,839	238,845	0.0

Note: Totals may not add due to rounding.

Table 3
Expenses

	January			April to January		
	2016 ($ millions)	2017 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,865	4,077	5.5	37,706	39,924	5.9
Employment Insurance benefits	2,127	2,347	10.3	15,980	17,111	7.1
Children's benefits	1,464	1,925	31.5	14,914	18,128	21.6
Total	7,456	8,349	12.0	68,600	75,163	9.6
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,836	3,006	6.0	28,354	30,056	6.0
Canada Social Transfer	1,080	1,112	3.0	10,799	11,123	3.0
Total	3,916	4,118	5.2	39,153	41,179	5.2
Fiscal arrangements and other transfers	1,703	1,750	2.8	17,562	18,090	3.0
Canada's cities and communities	28	298	964.3	1,910	2,064	8.1
Quebec Abatement	-148	-398	168.9	-3,710	-3,979	7.3
Total	5,499	5,768	4.9	54,915	57,354	4.4
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	114	131	14.9	962	1,047	8.8
Employment and Social Development Canada	890	1,248	40.2	4,858	5,900	21.4
Global Affairs Canada	396	595	50.3	2,402	2,832	17.9
Health Canada	290	345	19.0	2,553	2,714	6.3
Indigenous and Northern Affairs Canada	1,248	892	-28.5	5,922	6,911	16.7
Innovation, Science and Economic Development Canada	169	221	30.8	753	2,597	244.9
Other	1,506	1,255	-16.7	8,248	9,111	10.5

Total	4,613	4,687	1.6	25,698	31,112	21.1
Other direct program expenses						
Crown corporations	597	706	18.3	7,013	7,699	9.8
National Defence	1,856	1,940	4.5	18,711	19,808	5.9
All other departments and agencies	3,711	4,114	10.9	37,829	40,153	6.1
Total other direct program expenses	6,164	6,760	9.7	63,553	67,660	6.5
Total direct program expenses	10,777	11,447	6.2	89,251	98,772	10.7
Total program expenses	23,732	25,564	7.7	212,766	231,289	8.7
Public debt charges	1,973	1,857	-5.9	21,805	20,307	-6.9
Total expenses	25,705	27,421	6.7	234,571	251,596	7.3

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
$ millions

	January		April to January	
	2016	**2017**	**2015–16**	**2016–17**
Budgetary balance (deficit/surplus)	1,070	1,243	4,268	-12,751
Non-budgetary transactions				
Capital investment activities	-529	-274	-3,560	-3,500
Other investing activities	208	-404	-5,939	-7,544
Pension and other accounts	564	760	4,041	6,479
Other activities				
Accounts payable, receivables, accruals and allowances	1,344	4,943	-4,827	1,146
Foreign exchange activities	-2,508	236	-14,772	-6,260
Amortization of tangible capital assets	292	110	3,518	3,021
Total other activities	-872	5,289	-16,081	-2,093
Total non-budgetary transactions	-629	5,371	-21,539	-6,658
Financial source/requirement	441	6,614	-17,271	-19,409

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	January		April to January	
	2016	**2017**	**2015–16**	**2016–17**
Financial source/requirement	441	6,614	-17,271	-19,409
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	9,111	7,223	17,198	33,740
Treasury bills	500	-3,900	12,100	-4,900
Retail debt	55	-743	-562	-494
Total	9,666	2,580	28,736	28,346
Foreign currency borrowings	419	-87	3,835	530
Total	10,085	2,493	32,571	28,876
Cross-currency swap revaluation	574	-1,995	6,376	-2,036
Unamortized discounts and premiums on market debt	106	-191	722	592
Obligations related to capital leases and other unmatured debt	-13	-25	-203	-279
Net change in financing activities	10,752	282	39,466	27,153
Change in cash balance	11,193	6,896	22,195	7,744

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2016	January 31, 2017	Change
Liabilities			
Accounts payable and accrued liabilities	127,853	128,074	221
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	504,068	537,808	33,740
Treasury bills	138,100	133,200	-4,900
Retail debt	5,076	4,582	-494
Subtotal	647,244	675,590	28,346
Payable in foreign currencies	22,482	23,012	530
Cross-currency swap revaluation	8,391	6,355	-2,036
Unamortized discounts and premiums on market debt	5,047	5,639	592
Obligations related to capital leases and other unmatured debt	5,047	4,768	-279
Total unmatured debt	688,211	715,364	27,153
Pension and other liabilities			
Public sector pensions	152,227	151,780	-447
Other employee and veteran future benefits	85,681	92,127	6,446
Other liabilities	5,602	6,082	480
Total pension and other liabilities	243,510	249,989	6,479
Total interest-bearing debt	931,721	965,353	33,632
Total liabilities	1,059,574	1,093,427	33,853
Financial assets			
Cash and accounts receivable	154,688	161,508	6,820

Foreign exchange accounts	93,539	99,799	6,260
Loans, investments, and advances (net of allowances)[1]	115,957	125,462	9,505
Public sector pension assets	1,639	1,639	0
Total financial assets	365,823	388,408	22,585
Net debt	693,751	705,019	11,268
Non-financial assets	77,765	78,244	479
Federal debt (accumulated deficit)	615,986	626,775	10,789

Note: Totals may not add due to rounding.

[1] January 31, 2017 amount includes $2.0 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April 2016 to January 2017 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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March 2017

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